

# EIP



## Developer's Forensic Examination of Agreement Still Unsuccessful in Appeal Against Former Employer

The Court of Appeal has upheld the first instance judgment in *Penhallurick v MD5 Limited* and agreed that MD5 Limited ("MD5") still owns the copyright of the works in this dispute; and thus dismissing Michael Penhallurick's ("MP") appeal.

The Court of Appeal also offered guidance concerning the use of the Intellectual Property Enterprise Court ("IPEC") for future cases.

## Background

Brought in the IPEC, this was a dispute between MP and his former employer, MD5, over the ownership of copyright in a number of literary works consisting of software underlying a tool for the forensic examination of computers (the "Works"). MP sued for infringement of copyright in the Works and MD5 counterclaimed, asserting that MP had infringed MD5's copyright in the Works by making an adaptation of the Works without the consent of MD5, or by retaining copies of the Works.

MD5 contended that the copyright in the software belonged to it rather than MP because it was created in the course of MP's employment, or alternatively had been assigned to MD5 by an agreement of November 2008 (the "2008 Agreement").

The Judge went on to dismiss the claim made by MP and MD5's counterclaim.

# Grounds of Appeal

MP appealed on two grounds:

- The judge's findings as to first ownership of copyright in the Works ("First Ownership Ground"); and
- His conclusions as to the effect of the 2008 Agreement ("Agreement Ground").

## Court of Appeal's Conclusion

The majority of the time spent in argument on the appeal was on the First Ownership Ground, during which it became clear to the Court of Appeal that in the run-up to the trial both parties attempted to disclose a number of complex documents which would in all likelihood have required expert evidence to understand them properly. Yet, neither side had applied for permission to adduce expert evidence.

Additionally, MD5 served two witness statements ahead of trial which were concluded to go beyond legitimate factual evidence and contained material that was essentially expert evidence.

In the first instance judgment, the judge accepted that the late disclosed documents and witness statements were too complex for any weight to be placed on them.

On appeal, MP's counsel attempted to resurrect reliance on their late disclosure to prove first ownership but was unsuccessful.

On the Agreement Ground, it was submitted that the judge has been wrong as a matter of interpretation to treat the 2008 Agreement as an assignment.

The Court of Appeal acknowledged that if the 2008 Agreement meant that copyright in all the work carried out by MP was owned by MD5, then MP's case would fail. And therefore, for convenience, the Court of Appeal considered the Agreement Ground first.

## Agreement Ground

It was made clear that the parties' subjective intention was not relevant in interpreting the 2008 Agreement and that any criticism of the clarity of the legal drafting (drafted without professional assistance) carried little weight in this case.

The Court of Appeal sided with the first instance judge and agreed that the 2008

Agreement acted as an assignment and that MD5 owned the copyright in the Works. With this, the First Ownership Ground did not need to be considered. And MP's appeal was dismissed.

## Take Away Points

Two important points come out of this decision. Firstly, it is important to understand the rules and requirements for starting up a case in the IPEC. IPEC is about keeping costs down in litigation and limiting the costs exposure of litigants if they are unsuccessful. It is therefore suitable for small- and medium-sized enterprises and individuals in intellectual property disputes. It is not suited to resolving cases with substantial factual disputes involving extensive disclosure of documents, cross-examination of factual witnesses and expert evidence. For cases like these, you will need to go to the High Court.

However, if you do find yourself at IPEC, it is important to assess whether IPEC continues to be the suitable forum if extensive documents come to light or if you think expert evidence is required. If this happens to be the case, it is possible to apply to transfer the case to the High Court. Although be aware of the costs consequences if the case is transferred and you subsequently lose in the High Court. If you do not transfer a case when transfer might be appropriate, you run the risk of those potentially important aspects of your case not being considered properly or the IPEC judge deciding of his/her own volition that the High Court would be more appropriate and thus delaying the resolution of your case.

Secondly, this case highlighted the importance of clear drafting in any agreement and how it sometimes pays to have professional assistance. It may seem like an unnecessary cost at the start but it could save you money in the long run.

The judgment is available [here](#).